AFRAID to TRADE
overcoming stock market fears with Corey Rosenbloom

Daily "Idealized Trades" Report

SPY - 1 min ARCX 05/12/10 L=117.45 1.62 1.40% O=116.29 Hi=117.62 Lo=116.09 C=117.45
1
2
3
4
5
6
117.60
117.45
117.40
117.20
117.00
116.80
116.60
116.40
116.20
116.00
0.3000
0.2000
0.1000
0.0479
-0.0150
-0.1000
$TICK - 1 min NYSE 05/12/10 L=530 250 89.29% O=-1 Hi=1226 Lo=-882 C=530
1,000
530
311
-200
-600
5/12
9:00
9:30
10:00
10:30
11:00
11:30
12:00
12:30
13:00
13:30
14:00
14:30
15:00

Today was just a simple rising parallel trend channel range-day, that called for playing off moves to support and resistance, actively 'fading' the market at these trendlines. For triggers, you should have looked for possible divergences, reversal candles, Bollinger Band bounces, and trendline breaks.

The most important thing to remember is that in a range-bound session - even a rising range - we look LESS to moving average to set-up trades and give us stop-loss levels (price will chop right through them, making them irrelevant), and more to Bollinger Bands, Reversal Candles, and Divergences. That sums up trades 3-6.

1. POPPED STOPS

In another "Here we Go Again" moment, price formed a tiny resistance level at the $116.60 level, found support off a "Cradle Crossover" of the 20 and 50 EMAs, then rallied sharply higher, breaking the resistance and triggering a trade entry at $116.60 with a theoretically unlimited target ($117.00 was logical) and stop under the EMA confluence at $116.30. It was best to exit this trade at the spinning top candle at the upper Bollinger at the $117.00 resistance level... but not get short because this could have been another creeper day like yesterday... plus we just hit a new momentum & TICK high, indicating that odds favored higher price highs yet to come... and they did.

You could have put on a trade on the pullback to the rising EMA at $116.60 at 9:30, but there wasn't a nice reversal candle to give you a clean entry.

2. SPINNING TOP, UPPER BOLLINGER, DIVERGENCE

Keep in mind we were NOT certain it would be a range day yet, so trying to short on what could have been a continuous trend day up was risky and was a scalp only... however the trade worked out nicely.

Entry as soon as price broke the rising trendline or the low of the spinning top candle at the $117.00 level; target the 20 or 50 EMAs at $116.70 or $116.60, and stop above $117.20. The trade sliced through the moving averages and rallied off the lower Bollinger. The subsequent trendline break gave you an entry (trade 3) if you did not get long as price rallied off the lower Bollinger.

3. LOWER BOLLINGER, REVERSAL CANDLES, TRENDLINE BREAK

Price formed a bullish engulfing and then spinning top hammer candle (second test) off the lower Bollinger and then broke above the $116.80 trendline at 11:00am, triggering entry. The target was a move back to the upper Bollinger with a stop under $116.40... and you also could have trailed your stop under the rising 20 or 50 EMA - both of which worked. Price formed dojis/upper shadows from 11:30 at $117.00, so you could have exited here, or if you were aggressive, you held on until price formed a clean negative TICK and momentum divergence at 12:30 CST with a clean doji, giving you both an exit and 'flip/reverse' short.

4. DOJI, UPPER BOLLINGER, RANGE DAY BIAS, NEGATIVE DUAL DIVERGENCE

At this time, you could have been confident that we had a range day formation developing (not a trend day) because of the successful trades using the Bollinger Bands and NOT the moving averages... and divergences. Short as soon as price broke the low of the doji at $117.30 then target the lower Bollinger at the $117.00 level with a stop above $117.45. The trade worked out quite well, though you could have exited slightly early (as I show in the ideal grid - aggressive traders would have held past this 'blip,' wile conservative traders would have taken profits).

5. TRENDLINE BREAK, BOUNCE OFF LOWER BOLLINGER/50 EMA

This was a simple range day entry that waited for a corresponding trendline break at $117.10 to enter, with a stop under $117.90 and target eh upper Bollinger at $117.40. The trade gave a nice spinning top doji at $117.40 to exit. You could have entered short here or after the next swing to a new high - which formed a MASSIVE (lengthy) negative TICK and Momentum divergence - almost compelling entry.

6. UPPER BOLLINGER, SHOOTING STAR, (MASSIVE) DUAL DIVERGENCE

This was one of those 'too obvious' trades that was almost irresistable - at least if you saw the negative dual divergences at the highs of the day. It just felt wrong that price could rally to new highs on declining momentum and internals as it did - this is usually the case before a major reversal, so it was a sign you could have entered short and - if you swing trade - held short overnight or longer to try to play the sell-off that could happen from the charts... with a stop above $117.50 if the set-up fails.

Keep in mind that this structure will carry forward to tomorrow, and from the looks of it, it argues for a high probability for a downward move to form tomorrow... and this downward bias will be broken if we see a price rally above $117.50.

Using the ideal trades and a 'range day' style fade strategy, roughly $1.80 was possible today (waiting for confirmation at the turns instead of getting the absolute swing high or low).

Aggressive traders would want to be biased short tomorrow if we start to break support and head under $117.00 again - it could precede another sharp sell-off if the signals from the lengthy negative momentum and TICK divergences are correct.

SO FAR TODAY			25 DAY AVERAGE	
DIFFERENCE	15-min VOLUME	EST	15-min VOLUME	RANGE
1,484,510	15,845,072	9:45	14,360,562	$ 0.40
(415)	10,742,760	10:00	10,743,175	$ 0.38
2,179,785	12,456,173	10:15	10,276,388	$ 0.41
(1,707,419)	6,779,487	10:30	8,486,906	$ 0.37
(1,693,996)	8,093,443	10:45	9,787,439	$ 0.31
(3,809,425)	4,306,961	11:00	8,116,386	$ 0.35
1,157,511	8,350,523	11:15	7,193,012	$ 0.39
4,356,741	12,948,664	11:30	8,591,923	$ 0.29
(497,317)	6,661,408	11:45	7,158,725	$ 0.30
2,199,783	8,474,570	12:00	6,274,787	$ 0.35
(15,544)	5,506,875	12:15	5,522,419	$ 0.29
(1,496,634)	3,621,414	12:30	5,118,048	$ 0.26
(234,063)	4,295,199	12:45	4,529,262	$ 0.22
(1,138,709)	3,052,307	1:00	4,191,016	$ 0.29
1,858,019	6,798,665	1:15	4,940,646	$ 0.35
2,075,627	6,655,320	1:30	4,579,693	$ 0.24
2,583,189	6,581,267	1:45	3,998,078	$ 0.25
2,011,592	6,075,555	2:00	4,063,963	$ 0.35
305,701	5,769,404	2:15	5,463,703	$ 0.28
(298,176)	5,646,502	2:30	5,944,678	$ 0.43
(375,680)	6,493,467	2:45	6,869,147	$ 0.55
(1,118,575)	5,545,806	3:00	6,664,381	$ 0.35
3,017,043	9,956,924	3:15	6,939,881	$ 0.33
(1,199,923)	5,632,267	3:00	6,832,190	$ 0.37
(1,315,404)	6,923,656	3:45	8,239,060	$ 0.35
980,184	15,533,161	4:00	14,552,977	$ 0.51
358,016	7,644,110	Ave.	7,286,094	$ 0.35

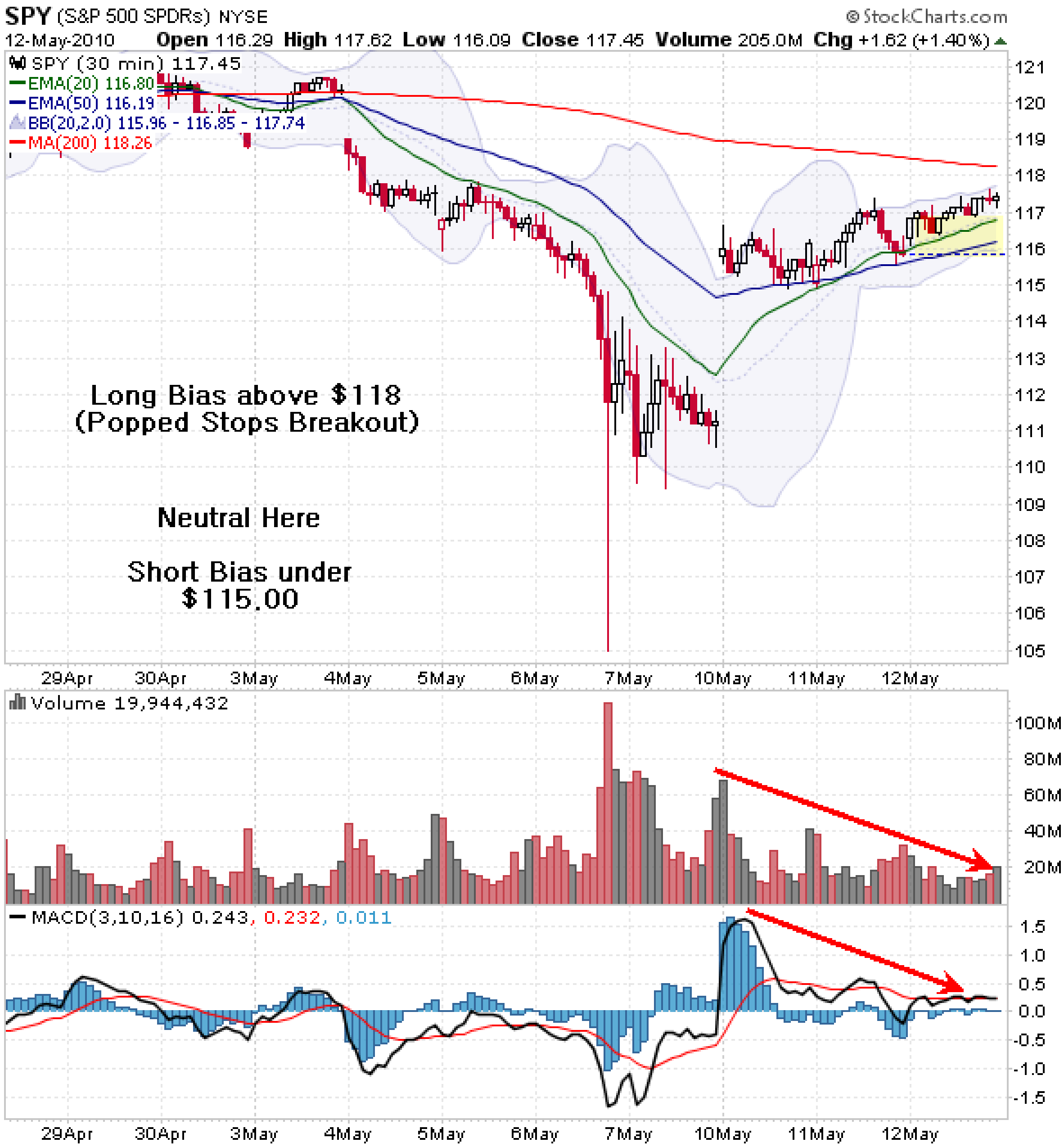
For the first time in the last few days, we got a more average trading day. We had less volume today in the red 15-min periods as shown, and were only 'up' 360,000 shares (average) in the SPY ETF volume today than the 25 day average.

That means one of two things:

1. Volume is coming back to a more normal level (likely)

2. Volume is failing to confirm today's rally, indicating that we could be in for a price sell-off tomorrow and Friday.

Tomorrow will be the key as to which is true.



We're at an extreme turning point in the market, as we have key levels of support under us (shown) on the 30 and 60 min chart, but a massive level of resistance on the daily chart (Index value 1,173, or $117.50 in the SPY).

If we clear above $118.00 tomorrow (arguably above $117.50), then that will likely trigger a sharp "Popped Stops" rally that you'll want to trade. It would suggest that we could go back to the recent highs and put this crash in the past.

However, if we DON'T do that and start to head down from here, then this rally was just a "Dead Cat Bounce" and the beginning of a larger decline. We won't know which outcome to favor yet, so the next two days are critical in helping us assess.

So, long strong above $117.50 and especially $118.00... neutral here... and sharp short bias if under $116.00 then of course $115.00.

Same discussion. Confluence support in the 60m chart rests at $116.40 as shown. If under $116.00, then we trade down to $115.00. If under $115.00, then this was just a dead cat bounce and swing traders can short again. Swing traders should be neutral between $118 and $115.00 - don't let bias get the best of you and cost you money.

The daily chart tells the picture of a market trapped between two key levels - 1,170 as the falling 20 day EMA (actually 1,173) and 1,150 as key 'line in the sand' support from the January highs.

A break above 1,170 (or 1,180 to be safe in this volatile environment) calls for you to trade long to play for a retest of 1,220 (yes, it could happen) or if under 1,150, calls for a downward move that marks this rally officially as a "Dead Cat Bounce" that would target 1,100 and perhaps lower.

Until then, swing traders can look to short here with a tight stop above 1,175 if willing to get stopped out, else wait for confirmation.